



Lodgings Plus Per Diem Method for Government Contractors

Government Contracts Update

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Introduction

The US Government (USG) is involved in activities all over the United States and overseas requiring contractors to incur lots of travel costs. The Federal Acquisition Regulation (FAR) cost principles provide some basic travel procedures that contractors can elect to could follow. The FAR also incorporates, in part, supporting regulations to further define those procedures including additional restrictions on what types of travel costs are allowable under USG contracts. Even with these travel rules and regulations, contractors have various options for handling the allowability of travel costs as described in FAR 31.204-46.

The Basics

The cost principle for the allowability of travel costs is found specifically in FAR Part 31.205-46, Travel Costs, and this cost principle applies to cost reimbursement and time-and-materials contracts, excluding FAR Part 12 commercial acquisition contracts. In addition, FAR 31.205-46 applies to both direct and indirect travel costs.

There are two main methods for handling per diem incurred during travel status: Lodgings Plus Per Diem and Actual Expense Authorization (AEA). Under the Lodgings Plus Per Diem method, a traveler is reimbursed lodgings up to the maximum USG established amount per night, plus Meals & Incidental Expenses (M&IE) paid at a USG established fixed daily amount. Under the AEA method, the traveler is reimbursed for actual costs up to the total per diem amount for each day of travel.

The Lodgings Plus Per Diem methodology is easier to administer and requires less documentation since the M&IE portion is a fixed amount and is not based on actual costs. Most contractors select the Lodgings Plus Per Diem method as the basis for their travel policy. But each contractor should examine their facts and circumstances before deciding on the best travel policy as the AEA method has more flexibility and can yield better cost recovery under certain situations.

The focus of our Article is the Lodgings Plus Per Diem method and not the AEA method which will be discussed in another Article. Also, contractors traveling abroad should consider using Advance Agreements under FAR 31.109 to ensure the allowability of their travel costs.

The Rates

The Per Diem for travel costs is a single rate comprised of: Lodging, Meals and Incidental Expenses. The Per Diem rates are set by one of these organizations:

For travel to the contiguous United States and DC (CONUS) the rates are set by General Services Administration, and are governed by the Federal Travel Regulation (FTR).

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For travel to outlying areas of the United States e.g., Alaska, Hawaii, Guam, Puerto Rico etc. (Domestic OCONUS) the rates are set by Department of Defense and are governed by Joint Travel Regulations (JTR).

For travel to foreign areas (Foreign OCONUS) the rates are set by Department of State however the rates are governed by the FTR and JTR.

While the Per Diem rate is usually shown as two numbers, one for lodging and one for M&IE, the Per Diem is actually a single number. Meaning that unallowable travel costs are calculated based on the combined total for lodging and M&IE. DCAA's Memorandum for Regional Directors, 13-PAC-002(R), dated March 22, 2013, reinforces this allowability concept. Using a combined Per Diem total is designed to reduce the accounting burden on USG contractors.

A. Lodging

Employees traveling for more than 12 hours and who require overnight lodging are entitled to reimbursement of lodging costs up to the maximum USG set rate as determined by the location and the date(s) of the lodging. The daily cost for lodging, taxes, and other charges should be broken out (i.e., separate charges) on an itemized lodgings receipt for the costs to be less likely questioned by USG auditors.

For CONUS and domestic OCONUS, lodging taxes are separately reimbursed as miscellaneous travel expense. However, for foreign OCONUS, lodging taxes are included in the lodging rate.

B. Meals & Incidental Expenses

Employees traveling for more than 12 continuous hours are entitled to reimbursement of the M&IE. Under the Lodgings Plus Per Diem method, employees are reimbursed at a fixed daily amount. The M&IE amount covers all meals, snacks, transportation to/from the meal, and incidental expenses such as tips for porters, baggage carriers, bellhops, and hotel maids. Incidental expenses also include laundry/dry cleaning for Domestic OCONUS and Foreign OCONUS. For CONUS travel laundry/dry cleaning is reimbursable as a separate item for trips at least 4 nights in duration.

The M&IE rate does not include:

- water,
- newspaper,
- fines, penalties, tickets,
- towing,
- transportation to meals when suitable meals are available at work site or hotel,
- personal calls, or
- personal travel and/or other expenses such as pay for view TV.

The applicable M&IE rate is based on the following chart from FTR Section 301-11.102:

For days of travel which		Your applicable M&IE rate is
Requires lodging		The M&IE rate applicable for the Temporary Duty Assignment (TDY) location or stopover point.
Do not require lodging, and	Travel is more than 12 hours but less than 24 hours.	M&IE rate applicable to the TDY site or the highest M&IE rate applicable when multiple locations are involved.
	Travel is 24 hours or more, and you are traveling to a new TDY site or stopover point at midnight.	The M&IE rate applicable to the new TDY site or stopover point.
	Travel is 24 hours or more, and you are returning to your official station.	The M&IE rate applicable to the previous day of travel.

Exemptions to Lodgings Plus Per Diem Method

A. Partial Travel Days

The FAR Part 31.205-46 (a)(6)(ii) requires that on partial travel days (e.g., day of departure and return), an appropriate downward adjustment to the maximum M&IE rate be made so that the resulting M&IE charge is a “reasonable charge”.

While a contractor is not required to follow the JTR and FTR rules in this area, most contractors do as it is easy to administer, yields reasonable travel costs, and results in no questioned costs by USG auditors.

These JTR/FTR rules are commonly referred to as the 75% rule and are reflected in the chart below from FTR Section 301-11.102:

When travel is		Your allowance is
More than 12 but less than 24 hours		75 percent of the applicable M&IE rate for each calendar day you are in a travel status.
24 hours or more, on	Day of departure	75 percent of the applicable M&IE rate.
	Full days of travel	No reduction to applicable M&IE rate.
	The last day of travel	75 percent of the applicable M&IE rate.

For days of travel between TDY locations on multi-legged trip are not subject to the 75% rule.

B. Reduced M&IE

The M&IE rate can be reduced for the following reasons:

- When a meal is provided to a traveler by the Government or the company either directly or as part of a package (e.g. a conference with lunch) that meal must be removed from the M&IE.
- Complimentary breakfast at a hotel does not affect Per Diem, unless it could have been waived and the hotel cost reduced.
- A meal provided by a common carrier or airlines do not affect Per Diem.

C. Conference Lodging

The Lodging Plus Per Diem method does provide one way for the contractor to exceed the maximum Per Diem for lodging. For Domestic OCONUS and foreign OCONUS travel the JTR (section C1415) Conference Lodging Allowance rule allows a conference attendee to be reimbursed up to 125% of the applicable lodging rate (rounded to the next highest dollar). The M&IE portion of the Per Diem is not increased while using this Conference Lodging Allowance rule.

To go above the 125% or above 100% for nonconference travel, the AEA method would have to be used. The AEA methodology has more stringent documentation requirements and will be discussed in another Article.

Conclusion

For contractors performing work under cost reimbursement or time and material awards, the burden of proof as to the allowability of travel costs under the FAR Travel Costs principle rests solely with the contractor for every single business trip whether direct or indirect. Contractors that use the Lodging Plus system benefit from its simplistic design and minimum documentation requirements but forgo flexibility in situations where travel costs are expected to exceed the USG Per Diems.

We hope this Government Contracts Update provides useful information on the Lodgings Plus Per Diem method. Our next article will focus on the AEA method. If you have any comments or questions please contact CostTrend at 703.657.0270 or info@costtrend.com.